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SIPDIS

DEPT FOR AF/S TCRAIG; AF/EPS DKRZYWDA
USDOC FOR 4510/ITA/IEP/ANESA/OA/J DIAMOND
COMMERCE ALSO FOR HVINEYARD
TREASURY FOR JEWEL
DEPT PASS USTR FOR PCOLEMAN
DEPT PASS USITC, ATTN.: L. SCHLITT

E.O. 12958: N/A

TAGS: [ETRD](#) [EAID](#) [XA](#) [SF](#) [AGOA](#) [USTR](#)

SUBJECT: USITC STUDY ON U.S.-SUB-SAHARAN AFRICAN TRADE AND INVESTMENT

REF: (A) State 137500, (B) Pretoria 695, (C) Pretoria 3113

[1](#)1. This cable responds to Reftel A request for post's input for the fifth annual USITC study on AGOA.

[1](#)A. Major developments in host country economic, trade and/or investment policies, or U.S. policies directly affecting host country

South Africa welcomed the visit of the U.S. Trade Representative, Ambassador Robert B. Zoellick, in February 2004, who met with then Trade and Industry Minister Alec Erwin to discuss the way forward on the Doha Agenda. The Minister publicly welcomed Ambassador Zoellick's initiative to move the negotiations forward so that 2004 would not be a lost year. The private sector worked with the government to produce a new charter for the financial services sector that promotes Black Economic Empowerment (BEE). Representatives of U.S. companies in the information, communications and technology (ICT) sector continue to meet with their South African private sector counterparts to develop and ICT Black Economic Empowerment (BEE) charter. The government indicated there would be more BEE charters developed for other sectors, including agriculture. The government announced a new program in the film industry that would allow foreign investors to a rebate of up to 15% of their costs for qualifying productions.

[1](#)B. Developments in major regional groupings (COMESA, EC, ECOWAS, IGAD, SACU, SADC, WAEMU, IOC, and CEMAC) (where applicable)

SACU continued to negotiate with the United States for a Free Trade Agreement with six rounds of talks from June 2003 to June 2004. The first two rounds were held in South Africa. The FTA negotiation marks the first time that SACU is acting as a single body in trade talks.

[1](#)C. Updated Information on privatization efforts

Privatization efforts have been slow. In the telecommunications sector, there has been little progress in resolving concerns over operational control of the Second National Operator (SNO). The government has said it will continue to implement concessions, joint ventures, and public private partnerships (PPPs) in the case of Eskom, Transnet and Denel over the next five years. The Congress of South African Trade Unions (COSATU), however, claimed that the government has backed away from its commitment to restructure state-owned enterprises. (See refel C.)

[1](#)D. Status of and developments in the host country's relationship with the United States and AGOA, especially examples of AGOA-related investment, non-traditional export developments, government reform efforts, or regional cooperation (where applicable)

President Bush visited South Africa in July 2003 and advanced our bilateral economic relationship. South Africa continues to take advantage of the duty-free preferences of AGOA by exporting in all sectors. A major U.S. clothing manufacturer, Levi Strauss SA, began exporting its 501 jeans to the United States under AGOA in mid-2003 using fabric imported from the Levi's textile plant in Greensboro, North Carolina. South African clothing exporters appreciated AGOA for enabling them to continue to export to the United States, which the stronger rand has made more difficult. The recently declining exports of AGOA clothing is largely due to the strong rand.

[1](#)E. Examples of U.S. trade capacity-building efforts in the host country, and associated effects (where applicable)

Septel to follow.

[1](#)2. In the Economic Update section (chapter 6, page 95) of the USITC's Fourth Annual Report on U.S. Trade and Investment with Sub-Saharan Africa country profile for South Africa, post suggests replacing the first two sentences in the third paragraph (the one

beginning "The manufacturing sector, which is heavily capital-intensive.) with the following: "The manufacturing sector, which is heavily capital-intensive in such areas as automobile manufacturing, heavy chemicals, and textiles, also includes the labor-intensive apparel sub-sector, and represented approximately 20 percent of GDP. A shortage of skilled labor continued to constrain the sector. Although the 28% appreciation of the rand in 2003 has put pressure on both the mining and manufacturing sectors, strong global and domestic growth in early 2004 has ameliorated negative impacts from the strengthening of the rand. Lower inflation and interest rates contributed to strong consumer demand."

13. Post suggests the following paragraph to replace the fifth paragraph in the Trade Update section (page 97): "In November 2002, the United Nations Convention on International Trade on Endangered Species of Wild Fauna and Flora (CITES) approved proposals from Botswana, Namibia and South Africa for a one-time sale of ivory from national stockpiles, sourced from culling of elephants or death by natural causes. CITES attached conditions to the sales, which were not to take place before May 2004. The CITES Standing Committee met in March 2004 and determined that the conditions had not yet been met, so the sales have not taken place. The issue will be revisited at the October 2004 CITES Conference of Parties in Malaysia."

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